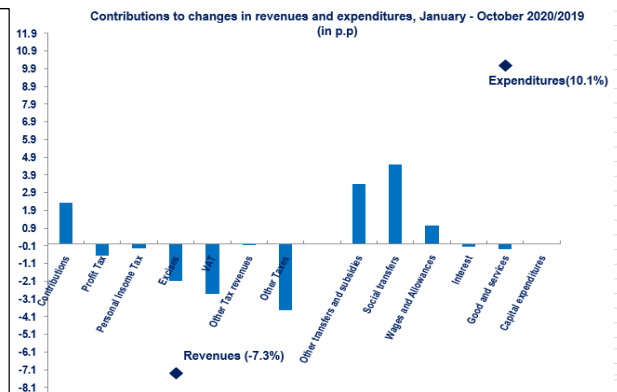
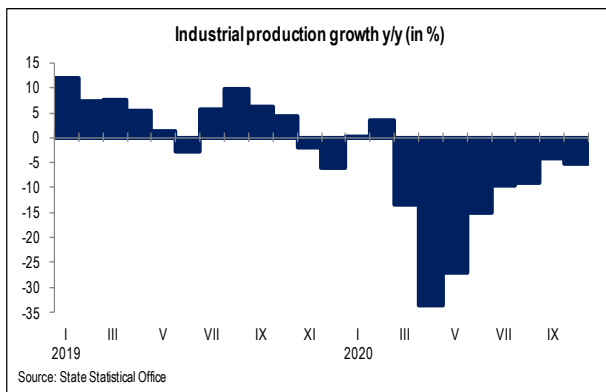




MONTHLY NEWSLETTER – NOVEMBER 2020

- The Government approved and submitted the 2021 **Draft Budget** to the Parliament, for adoption. Total revenues and expenditures will amount to Denar 212.6 billion and Denar 247.5 billion, respectively. The 2021 budget deficit is projected at Denar 34.9 million, i.e. 4.9% of projected GDP. The second 2020 Supplementary Budget was adopted in November, providing additional funds for vaccines, medicine, as well as strengthening the health capacities.
- Fitch Ratings in November affirmed its 'BB+' ratings on North Macedonia**, as well as the negative outlook. Rating is supported by good governance, human development, and ease of doing business indicators, and a track record of coherent macroeconomic and fiscal policy, which underpins the longstanding exchange rate peg to the euro.
- International Monetary Fund (IMF) mission, conducted a virtual staff visit with the authorities of North Macedonia in the 9th -18th November period. In the final statement on the conclusions of the mission, among other things, IMF states that: "Macroeconomic and financial stability has been maintained thanks to skillful policy management, as well as globally accommodative financial conditions. The timely policy actions taken by the Government and the National Bank of the Republic of North Macedonia (NBRNM) have played an essential role in mitigating the economic and social impact of the pandemic."
- In October 2020, **industrial production** decreased by 5.2% y/y. In the first ten months of 2020, the industry decreased by 11.3%, which was mostly a result of the decline in Manufacture of machinery and equipment by 28.3%, Manufacture of motor vehicles by 15.4%, as well as Electricity, gas, steam, and air conditioning supply by 11.4%.
- Budget revenues** in the period January-October 2020 fell by 7.3% y/y. The decrease of budget revenues is expected as a result of COVID outbreak and undertaken government preventive measures that slowed down the economic activity. Tax revenues in the period January - October 2020 decreased by 10.1% y/y, while social contributions grew by 7.7% y/y. VAT, excises, PIT, other taxes and profit tax recorded lower performance, whereas import duties are positive. In the same period, **budget expenditures** grew by 10.1% y/y, mostly reflecting higher current expenditures by 10.6% y/y and capital expenditures grew by 0.1% y/y. **Budget deficit** stood at 5.2% of MoF- projected GDP for 2020.



- In September 2020, exports of goods experienced a growth of 4.0% y/y, which is an encouraging development since the onset of the pandemic. In the first nine months of 2020, **exports of goods** decreased by 15.2%, mostly due to the fall in export of machinery and transport equipment, as well as chemicals and related products. In the same period, **import of goods** was lower by 13.2%.
- In the first nine months of 2020, the **net nominal wage** grew by 8.1% y/y on average. In September 2020, it amounted to Denar 27,405 (EUR 444), whereas the average gross wage amounted to Denar 40,913 (EUR 663).
- In October 2020, the **inflation rate** was 2.1% y/y. In the first ten months of 2020, average inflation was 1.0% y/y, mostly reflecting core (0.7%) and food (2.4%) inflation, while oil prices decreased by 11.1%.
- Lending and deposits registered solid growth in October, with **credits to private sector** being higher by 6.7% y/y, primarily driven by the growth in household lending by 9.0% y/y, while corporate lending also grew by 4.4% y/y. **Total deposits** were higher by 5.5% y/y, reflecting a sustained growth in both household and corporate deposits.
- FDIs** have been negative in 2020 Q3 for the second quarter in a row, amounting to EUR -5.4 million, by which total FDIs in the first three quarters of 2020 reached EUR 119.5 million (1.1% of MoF-projected GDP for 2020). The **current account** registered a deficit of EUR 43.3 million in 2020 Q3, widening the current account deficit for the first three quarters of 2020, to EUR 276.6 million (2.6% of MoF-projected GDP for 2020).



Key macroeconomic indicators and projections

	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Real GDP growth, %	-0,5	2,9	3,6	3,9	2,8	1,1	2,9	3,2	-4,4
Nominal GDP, million EUR	7.585	8.150	8.562	9.072	9.657	10.038	10.744	11.209	10.824
Average annual inflation, %	3,3	2,8	-0,3	-0,3	-0,2	1,4	1,5	0,8	1,0
Budget balance, % of GDP	-3,8	-3,8	-4,2	-3,5	-2,7	-2,7	-1,7	-2,0	-8,5
General government debt, e.o.p., % of GDP	33,7	34,0	38,1	38,1	39,9	39,4	40,4	40,7	51,5**
Current account balance, % of GDP	-3,2	-1,6	-0,5	-2,0	-2,9	-1,0	-0,1	-3,3	-3,5
Average unemployment rate, %	31,0	29,0	28,0	26,1	23,7	22,4	20,7	17,3	16,6
Average exchange rate MKD/EUR	61,5	61,6	61,6	61,6	61,6	61,6	61,5	61,5	61,5
Key monetary policy rate, %	3,82	3,32	3,25	3,25	3,73	3,27	2,92	2,29	1,50***
Foreign reserves, e.o.p., % of GDP	28,9	24,5	28,5	24,9	27,1	23,3	26,7	29,1	32,7***

*2020 based on MoF projections, unless otherwise noted

** Actual for Q3 2020, ratios based on MoF GDP forecast for 2020

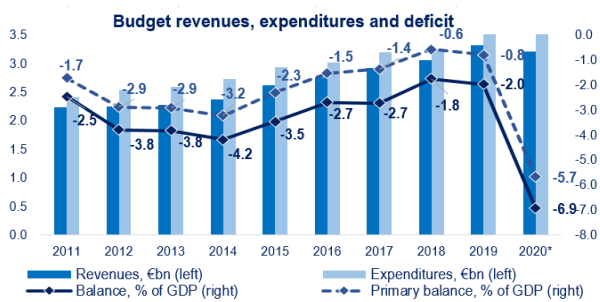
*** Actual for October 2020, ratios based on MoF GDP forecast for 2020

Latest GDP and inflation estimates and forecasts

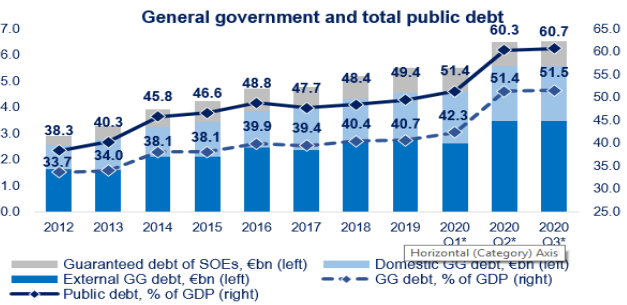
	Real GDP growth, %	Average inflation, %
	2020	2020
IMF WEO (October 2020)	-5,4	0,9
European Commission (November 2020)	-4,9	0,9
World Bank (October 2020)	-4,1	0,5
National Bank (May 2020)	-3,5	0,0
MoF, North Macedonia (October 2020)	-4,4	1,0

Credit rating, latest

	Rating	Outlook
Standard & Poor's, September 2020	BB-	Stable
Fitch, November 2020	BB+	Negative

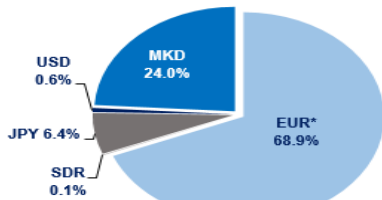


*2020 as per Supplementary Budget and MoF GDP forecast



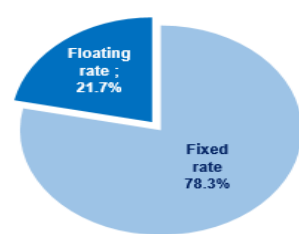
Starting Q2 2019, public debt also includes non-guaranteed debt of SOEs
* Ratio using MoF - GDP forecast for 2020

GG debt - Currency structure, Q3 2020

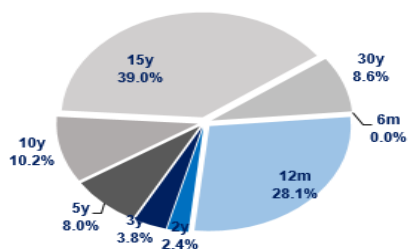


*Includes FX-linked domestic government securities

GG debt - Interest rate structure, Q3 2020



Domestic government securities - original maturity, November 2020



Domestic government securities, EUR m

Outstanding, 30th November 2020	1874
- Of which without FX clause	1157
- Of which with FX clause	717
Total planned gross issuance for 2020*	457
Total planned net issuance for 2020	350
- Of which net issued by November 2020	151

* includes roll-over of T-Bonds + net issuance of GS

Yields on domestic government securities issued on the primary market during September 2020

	in %	3m	6m	12m	2y	3y	5y	10y	15y	30y
Without FX clause				0.40	0.60		1.20		2.50	
With FX clause						0.35				

Republic of North Macedonia outstanding eurobonds, latest

Maturity date	Rating		Original/outstanding size (mn)	Coupon	Price	Yield	Bid Spread vs. BM	Bid z-Spread vs. MS
	S&P	F						
Dec-20	BB-	BB	€ 270/€ 178	4.875%	100.0	-1.284	-68	-76
Jul-21	BB-	BB	€ 500	3.975%	102.0	0.842	153	136
Jul-23	BB-	BB	€ 450	5.625%	111.3	1.268	205	178
Jan-25	BB-	BB	€ 500	2.750%	105.0	1.491	227	198
Jun-26	BB-	BB+	€ 700	3.675%	110.9	1.582	235	203